Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
High-cost Universal Service Support	)	Docket No. WC 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

THE COMMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Pennsylvania Public Utility Commission (PaPUC) is filing these Comments with the Federal Communications Commission's ("FCC"). These Comments address three items issued at WC Docket No. 05-337 and CC Docket No. 96-45. These are the *Federal-State Joint Board on Universal Service*, adopted January 16, 2008, released January 29, 2008 (the Joint Board Recommendation*)*, the Notice of Proposed Rulemaking on Universal Service (USF NPRM), and the High-Cost Universal Service Notice of Proposed Rulemaking (High-Cost NPRM).[1]

The FCC seeks input, primarily, on significant proposals to reform the Federal Universal Service Fund (FUSF). The most significant proposals that are the subject of the PaPUC Comments are the High-Cost Fund, the Joint Board recommendations for three FUSF programs, and the Reverse Auction proposal.

[1] The FCC later extended the period for filing Comments to April 17, 2008 at WC Docket No. 05-337, CC Docket No. 96-45.

The High-Cost Fund proposal seeks comment on the current cap in the high-cost fund. The FCC seeks comment on a tentative conclusion to eliminate the Identical Support Rule (ISR). The ISR supports Competitive Eligible Telecommunications Carriers (CETCs) based on the incumbent's cost. The proposal will replace the ISR with a rule in which compensation is based on the CETCs cost.

The Joint Board Recommendations propose the creation of three FUSF funds. The three funds would support Mobility (wireless), broadband deployment, and a Provider of Last Resort (POLR) program. In particular, the Joint Board recommends a new $300 Million funding commitment to support rural broadband deployment.

The FCC's Reverse Auction proposal tentatively concludes that reverse auctions, a practice in which the lowest bidder would obtain the right to provide FUSF-supported services in the study area, is better than the current support mechanism. The successful bidder would be the sole-source provider in a relevant geographic area tied to the incumbent's study area and capped at the support provided to the current study area with a possible Provider of Last Resort (POLR) obligation.

The PaPUC's Comments are limited to tentative observations about reform and what basic principles should guide these reform efforts. The PaPUC Comments are not providing detailed response on costs, cost allocation, and implementation of these reforms at this time. The PaPUC's Reply Comments may address those issues in more detail following review of the anticipated Comments, particularly those of the major carrier and competitor groups with significant financial and technological concerns.

The PaPUC just reopened our investigation of Pennsylvania's ongoing efforts regarding intrastate access charges and IntraLATA Toll Rates of Pennsylvania's rural incumbent local exchange carries (ILECs) at Docket No. I-00040105. The PaPUC's investigation was reopened for the limited purpose of determining whether our $18.00 residential rate cap is appropriate and if the Pennsylvania USF (PaUSF) should support rates that exceed that cap. The investigation has raised a number of issues and inquiry areas because the PaPUC concluded that the just and reasonable standard should continue to apply to the analysis of the appropriate residential rate for basic local exchange services provided by the rural ILECs.

Many of these Pennsylvania rural ILECs are net FUSF recipients. The PaPUC is considering whether the Commission has authority under Chapter 30, 66 Pa.C.S. § 3001 et seq., to perform a just and reasonable analysis of the rural ILECs' residential rates. The investigation is also examining the appropriate benchmark for the rural ILECs' residential rate for basic local exchange service, a service partially supported by the FUSF, taking into account the statutory requirements for maintaining and enhancing universal service, a similar goal mandated under federal law for the FUSF. In addition, the investigation is examining whether the PaUSF should support carriers that exceed the residential rate benchmark and whether support distributions from the PaUSF has any anti-competitive effects. Finally, the investigation is examining the appropriateness of a "needs based" test, albeit focused on issues of state law and in view of the fact that rural ILECs receive FUSF support and are “average schedule” companies that do not jurisdictionalize a number of revenue, expense, and asset parameters for their regulated operations.

The PaPUC is concerned that any FUSF reform not undermine this investigation. The PaPUC needs to conduct a detailed investigation in order to determine whether to increase our current $18.00 residential rate cap for basic local exchange service. As discussed below, the PaPUC has implemented a series of reforms aimed at promoting competition and deployment of an advanced broadband network, particularly in rural Pennsylvania. The PaPUC has done this since 1993, well in advance of TA-96.

The PaPUC Comments

The PaPUC appreciates the opportunity to address these FUSF reform proposals. The PaPUC Comments should not be construed as binding on the PaPUC or individual commissioner in any proceeding before the PaPUC. Most importantly, these PaPUC Comments could change in response to subsequent events. This includes review of the anticipated Comments of the major carrier groups and competitors with substantial financial interests and expertise on these significant reform proposals.

The PaPUC appreciates the FCC's recognition of the need to consider reform given the burgeoning costs to support FUSF. The PaPUC particularly appreciates and supports reforms because Pennsylvania has been, is, and remains, a substantial net contributor State to the FUSF. By the same token, however, some Rural Local Exchange Carriers (RLECs) are net recipients from FUSF due to their costs, geographic constraints, and customer service area densities. This duality and Pennsylvania's 15-year experience with promoting competition and broadband deployment, particularly in rural areas, gives the PaPUC a particular, if not unique, perspective on FUSF reform.

Pennsylvania is a net contributor to the FUSF in excess of $130 million dollars annually. Pennsylvania is also a member of the Middle Atlantic Conference of Regulatory Utility Commissioners (MACRUC). The MACRUC states have paid in excess of **$2 billion** dollars beyond what the MACRUC states have received from the FUSF in just four years (2003 –

2006). In particular, the MACRUC States have witnessed an increase above 80% in net contribution outlays to the FUSF from 2005 to 2006 alone.[2]

The High-Cost and Three-Fund Proposals. As discussed below, the new proposals contain some very positive features. These include elimination of the ISR, consideration of reverse auctions, and eliminating "the use of federal universal service support to subsidize competition and build duplicate networks in high cost areas".

The PaPUC supports reform efforts aimed at curtailing costs. The PaPUC is on record as supporting a cap on the high-cost fund, ending the ISR,[3] and extending the cap on the high-cost fund to all recipients. The PaPUC took these positions because the FCC must limit, if not outright reduce, spiraling FUSF costs. These costs impose a disproportionate burden on ratepayers in states like Pennsylvania, a Commonwealth with metropolitan populations in Philadelphia and Pittsburgh although the remainder of the state is remarkably rural.

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[2] This calculation is derived from the Universal Service Monitoring Report (CC Docket No. 98-202), Table 1.12 on the FCC's web site as reported for the years 2003-2006. The data for 2003 and 2004 are contained in the 2005 report; 2005 date are in the 2006 report and 2006 data are in the 2007 report. While there have been corrections to these figures, the overall thrust of the earlier and final figures amply demonstrate the substantial "net contributor" role of Pennsylvania and the MACRUC states.

[3] When the FCC replaces the ISR with an "actual cost" test, the FCC must decide if the "actual cost" for support is the embedded cost used for rural study area support or the going-forward cost used to measure costs in non-rural study areas. The PaPUC suggests that the FCC impose a uniform forward-looking approach. This approach is better than embedded costs because the telecommunications industry is characterized by cost collapse due to new technology.

This is particularly true in the study areas of those net contributors where intermodal and intramodal competition placed considerable pressure on the ability to collect FUSF costs in basic local exchange rates. This is also particularly true for net contributors that have rural areas with similar, if not identical, characteristics of a net recipient carriers' study area. Moreover, the PaPUC is aware that some net contributors find it increasingly difficult to continue to support basic local exchange service and deployment of a broadband network in their higher-cost/lower-margin rural study areas with revenues derived from their low-cost/higher-margin study areas because of the constraints imposed by intermodal and intramodal competition.

The considerations support the FCC's commendable goals. They also support the FCC's professed goal of avoiding "duplicate support" (¶ 53) although the PaPUC is concerned that these goals may be undermined by the recent "three funds" proposal.

The Joint Board wants to create three funds consisting of wireless, broadband deployment, and a POLR obligation. As an initial matter, the PaPUC notes that these three services are currently provided, particularly in rural study areas, primarily by ILECs. Many of them are net recipients of FUSF under the current funding structure.

If the goal is to have one recipient for each fund, the PaPUC is concerned about duplicative costs. Three providers for three separate services, if the service provider is someone other than the current ILEC provider, increases overhead and service costs. The administrative and service costs will increase because of the loss of economies of scale and scope, including the ability to leverage the necessary financing for the provision of a larger service pool in the capital markets. The increased costs from losing these economies of scale and scope will inevitably be recovered from consumers paying into the FUSF.

On the other hand, if the goal is to support one carrier for all three funds in a given study area, the PaPUC has other concerns. The recipient may get funding to support overhead and service costs from each component of the FUSF. The successful one-stop carrier will secure support for redundant administrative costs from each of the funds. The alternative requirement, which would mandate that one-stop providers allocate the entire overhead and support cost among all three funds, will also increase administrative costs. Costs will increase due to the inevitable need to impose filing requirements and the time and resources needed to determine if the recipient properly allocated their administrative and service costs.

Moreover, some recipient carriers receive high cost support to provide voice services in rural study areas. Some of those recipients may also be leveraging that support to reduce the cost to deploy a broadband network that can deliver information and wireless services. The Joint Board proposal does not address how such a recipient could separate their high cost voice component from their broadband deployment or wireless costs. This is particularly acute in cases where the carrier is deploying a network capable of providing a combination of advanced wireline and wireless telecommunications services, as well as broadband access to information services.

The PaPUC recognizes the benefits of the economies of scale in situations where a carrier with a high cost rural network can leverage that network to deliver voice and information services. This occurs because of an ability to spread the overhead and capital costs for providing services, particularly rural areas. By the same token, a network owner with the ability to control access to the only ubiquitous network could also wind up being the sole-source provider of voice and information services, This raises the very real concern that service costs in these high-cost study areas might end up being more than might be if there were other competitive choices.

One solution, of course, would be to use the FUSF to underwrite competitive choice. On that issue, the PaPUC shares the FCC's real concern about the wisdom of using FUSF funds to underwrite competitive choice in markets where that may not be economically feasible.

In addition, the PaPUC is particularly concerned that FUSF costs for expanding programs like broadband deployment must not be obtained from lower-income customers of net contributors like Verizon. This exacerbates the costs imposed on Pennsylvania, particularly if broadband deployment is funded without conditions as an FUSF-supported service.

The PaPUC makes these observations based on our experience in promoting the delivery of comparable services at comparable rates in rural and urban study areas consistent with our law and the requirements of Section 254 of the Telecommunications Act of 1996 (TA-96).

As further evidence of Pennsylvania's commitment in broadband deployment, the Pennsylvania General Assembly enacted Chapter 30, 66 Pa.C.S. §§ 3001 et seq in the 1990's and again in 2004. Chapter 30 promotes the deployment of advanced telecommunications networks, particularly in rural areas, so that Pennsylvania citizens can obtain advanced telecommunications services and broadband access to information services. Chapter 30 promotes that goal by mandating substantial reductions in the productivity offset to Pennsylvania's price cap regulatory structure for the retail rates of ILECs that have committed to broadband deployment within specified time frames.

The resulting reduction in the productivity offset has, in turn, produced significant rate increases for basic local exchange services. These increases are in addition to those already imposed to support rate rebalancing which reduces a carrier's reliance on intrastate carrier access charge revenues. And, as noted earlier, the PaPUC is now examining whether it is appropriate to raise the $18.00 basic local exchange service benchmark for rural ILECs and what, if any, support for rates in excess of that cap should be supported by the PaUSF.

The PaPUC implemented these reforms as part of a policy effort aimed at ensuring that revenues are aligned with costs and to promote broadband deployment. These reforms were undertaken despite their related impact to Pennsylvania end-user consumers in an effort to align service prices with underlying economic costs, while preserving the goal of maintaining and enhancing the concept of universal service under both Pennsylvania and federal law.

The proposed Broadband Deployment Fund, however, contains no recognition of what, if any, difficult decisions will be expected from net recipient states or carriers that get FUSF support for broadband deployment. The proposal does not address what, if any, compensation will be provided to "Early Adopter" states like Pennsylvania for the considerable costs imposed in unpopular rate increases to promote rural broadband deployment while continuing to align service prices with underlying economic costs. The proposal fails to address where the "Early Adopted" compensation would come from, particularly for Commonwealths like Pennsylvania and other MACRUC states. The net contributors in the MACRUC region should not be expected to compensate themselves for broadband deployment costs when those same costs in the net recipient states were avoided and will now be supported with an FUSF solution.

The Broadband Deployment proposal, moreover, contains no requirement that any net recipient state or carrier must abide by a drastic realignment of basic local exchange rates similar, if not identical, to that implemented in Pennsylvania. For example, Pennsylvania – with a rural ILEC basic residential local exchange service rate benchmark at $18.00 per month – and other net contributor states to the FUSF cannot be reasonably called to support the funding of broadband deployment in states where rural local exchange service rates have stayed at $4.00 per month. The PaPUC appreciates that this requirement could, as occurred in Pennsylvania, place significant upward pressure on local basic exchange service rates. Indeed, it is this experience that resulted in the recent decision to investigate the possibility of raising our $18.00 benchmark rate for basic local exchange service rates for rural ILECs operating in Pennsylvania.

The PaPUC is very concerned that this proposal, like the pending Missoula Plan access charge proposal, rewards net recipient states or carriers that avoided the difficult task of reforming intrastate carrier access rates, increasing local rates, and instituting state-specific USFs to promote broadband deployment. Pennsylvania citizens could end up paying to support broadband deployment in Pennsylvania while also paying to support broadband deployment in net recipient state or carrier study areas that have studiously avoided long overdue but necessary reforms.

These net recipient states, by contrast, are not expected to implement significant reforms similar to those implemented in Pennsylvania since 1993. Pennsylvania has worked since 1993 on the difficult task of implementing reform, competition, and promoting broadband deployment consistent with universal service principles.

The PaPUC does not support a Broadband Deployment Fund as it is currently proposed. The PaPUC does not support an FUSF Broadband Deployment Fund paid for by citizens of rural Pennsylvania and urban centers in Philadelphia or Pittsburgh if that fund allows net recipient states or carriers to have unreasonably low basic local exchange rates, higher rates of return, no productivity offset or automatic inflation adjustment, and no obligation to establish and fund a state USF.

The PaPUC has very serious concerns because this proposal does not address the appropriateness of a "needs test" as is the case in the current Pennsylvania investigation. The PaPUC is examining that issue because a "needs test" might more objectively measure whether the carrier in any given study area, particularly high-cost rural study areas, actually needs support.

Also, the PaPUC thinks the FCC needs to consider whether an FUSF recipient should be required to document their need for support and then only after they include all revenue streams. Moreover, the FCC should also examine whether any, significant reform measures similar to those undertaken in Pennsylvania have been completed.

The PaPUC suggests that reform measures appropriate for consideration could include, at a minimum, requiring annual rate increase opportunities in basic local exchange rates comparable to those already underway in Pennsylvania. In addition, the FUSF support provided to a net recipient carrier could be connected to the carrier's overall levels of profitability. Finally, the carriers in net recipient states which have not yet undertaken the necessary reforms could also be expected to realign their local exchange rates to an appropriate measure of underlying economic cost. If this realignment transition needs to be supported, these net recipient states can establish their respective state-specific USFs.

Net contributor states or carriers should not be the only regulators or carriers expected to implement the kinds of measures that produced substantial upward pressure on basic local exchange rates. Otherwise, net recipient states or carriers in high-cost study areas would be rewarded for avoiding these challenges at the expense of states or carriers burdened with supporting that avoidance policy.

The PaPUC also suggests that any recipient state be required to establish a revenue-assessment state USF. In the alternative, the FCC could allow a net recipient state to establish a 1:1 matching contribution for FUSF support.

The PaPUC has very serious reservations with the conclusion that there is a need to support mobility services or a build-out to "unserved" areas. According to a recent report released by the FCC on February 4, 2008,[4] approximately 99.8 percent of the total U.S. population, have one or more different operators (cellular, PCS, and/or SMR) offering mobile telephone service in the census blocks in which they live.

The FCC's data undermines any alleged need to fund mobility services. Moreover, the FUSF support for the .02% of the nation's census blocks without mobile services raises the ancillary question of whether the provider should be the same provider of voice and broadband services and, if so, whether the FUSF should also be supporting a multiplicity of competitive choices.

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[4] *In the matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, WT Docket No. 07-71, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Twelfth Report, Released February 4, 2008.

The PaPUC shares Commissioner Baum's concern evident in his assessment that the recommended decision "failed to address some basic inequities in how High Cost support is distributed among non-rural ILECs and among the states.[5] Inequitable distribution of support to states has been compounded by the equal support rule for CETCs. The current FCC rules have resulted in a vast misallocation of public dollars to the benefit of only a small portion of rural consumers, and to the detriment of the rest."

The PaPUC supports the recommendation to revise the current fatally flawed allocation of funds before it undertakes additional support measures for mobile services or broadband deployment. This is necessary and appropriate, particularly for Pennsylvania and the MACRUC region, given our net contributor role to the FUSF.

Finally, the FCC must guarantee that current Lifeline/Link-Up recipients not be affected during the transition. Any final reform measure must not reduce the level of support for these customers.

FUSF reform must not cap the fund that supports these customers as well. Otherwise, these support mechanisms will diminish the support provided to customers over time as the number of customers expands due to increased state and federal efforts.

The PaPUC urges that any FCC cap not include Lifeline/Link-Up customers. Those customers are the most vulnerable and the most deserving of support from a federal fund established to promote universal

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[5] *Federal-State Joint Board Recommendation,* Docket No. 96-45, Statement of Commissioner-Member Ray Baum (OR), p. 34.

service. Their support promotes the true purpose, ensuring that all consumers that wish to have access to a telephone may do so at a just and reasonable cost. This is a particular concern to the PaPUC because of the impact that the increased cost has on rates for service to customers in the study areas of the net contributor carrier, particularly Verizon.

As noted earlier, Verizon's net contributor role in the current FUSF is underwritten, in part, by increasing FUSF costs that are recovered from lower-income customers in Verizon's study areas within Pennsylvania. Verizon's net contributor role is also aggravated by Verizon's inability to secure support for rural study areas in its service territory even though those study areas have many of the same cost characteristics as those of other rural carriers that are net FUSF recipients.

Verizon's study areas have considerable numbers of Lifeline/Link-Up customers and customers in higher-cost/lower-margin rural study areas. Verizon's Lifeline/Link-up customers and their rural customers should not get less support from their carrier. This will occur if the FCC caps Lifeline/Link-up and then there is an increase in the number of eligible customers. This will also occur if the FCC does not address the costs to serve the net contributor carriers' rural study areas. This could also occur in states where low productivity offsets increase basic local service rates and this expands the pool of customers eligible for Lifeline.

The PaPUC recognizes that the FCC will eventually impose some kind of reforms. The PaPUC urges the FCC to address these issues. Whatever reforms are enacted, the PaPUC further urges the FCC to authorize the states to impose an assessment on interstate revenues in support of ancillary state and federal efforts. Of necessity, the FCC would have to place a cap on any state assessment. One appropriate cap might be limited to 5% of in-state interstate revenues or the state's sales tax.

The Reverse Auction Proposal. The FCC tentatively adopted the use of reverse auctions similar to those proposed by some net contributor carriers. The net contributor carriers propose reverse auctions because they hope to reduce the overall cost to provide FUSF support in net recipient study areas. Apparently, they expect that a successful "reverse auction" bidder other than the current recipient might submit a bid that is lower than the bid of the current recipient.

The PaPUC thinks that this proposal has some merit in helping to curtail the spiraling FUSF costs. However, the proposal does raise some concerns.

The first concern is the scope of the reverse auction study area. At a minimum, the study area should be coterminous with the current net recipient's study area. This is necessary to avoid "selective marketing" bids that would falsely understate the true cost of serving an entire study area.

Pennsylvania is an urban state with two urban centers in Philadelphia and Pittsburgh although the remainder of the state is remarkably rural. As a result, for example, a "reverse auction" bidder seeking to serve a high-cost study area like Tioga County could limit their bid to Mansfield (a location with a university) and Middlebury Center (a location with a more concentrated population than the entire county). A "reverse auction" bid limited to these two relatively concentrated areas in a rural study area would successfully underbid another bidder, like the current net support recipient, if the bidder proposes to serve the entire study area.

This constricted bidder might lower costs to serve Mansfield and Middlebury Center. However, such constricted bidders could end up increasing FUSF costs if the costs for the unattractive residual study area increase as a Provider of Last Resort (POLR) cost to serve that residual study area.

A redefinition of the "reverse auction" study areas that bifurcates the Tioga County areas into a Mansfield-Middlebury Center study area and the remaining Tioga County study area for separate bids will not solve the problem either. That is because, again, the per mile costs to serve Mansfield-Middlebury Center would be lower given the densities and potential for service revenues associated with a university presence compared to the residual Tioga County study area. The residual Tioga County study area would simply lack the population densities associated with a university presence and larger population.

This problem of increased cost is compounded if the FCC applies a "reverse auction" approach for any POLR obligation separate and apart from a decision to retain, or bifurcate, the Tioga County study area. This is, again, because the POLR cost to serve two study areas, consisting of Manfield-Middlebury Center and the residual Tioga County study area, could be higher than a POLR bid to serve the entire Tioga County area. In that case, the current net recipient carrier's experience with costs and service would likely produce a more approximate result based on the entire Tioga County area.

For these reasons, at a minimum, the PaPUC suggests that the FCC consider a number of conditions to any "reverse auction" approach. These conditions address scope of service, state regulations, support for lower income universal service, the rural study areas of net contributor carriers, POLR, and universal service support.

A reverse auction study area must consist, at a minimum, of the obligation to serve the entire study area and every customer of a current FUSF recipient. This is needed to ensure that an auction does not reduce either the level of service or the scope of the services compared to those provided by a current net recipient.

There should be one recipient per study area responsible for providing all services (wireline, wireless, and broadband). This is necessary to capture any economies of scale and scope and to effectively recognize the higher costs associated with net recipient study areas that gave rise to the need for FUSF support in the first place.

The need to recognize these realities raises the issue of competitive choice and whether the FUSF must support uneconomic competitive choice. If the FUSF does not have to underwrite uneconomic competitive choice, the

FCC must address if, and how, the denial of choice complies with the comparability requirement of Section 254.

Any successful bidder must be required to comply with all state policies and regulations applicable to the entire study area. The drive to lower FUSF costs must not come at a cost of customer service or quality of service issues that are very familiar to state regulators.

There should be no limit on the Lifeline/Linkup support provided in the study area. Any successful bidder must be required to expand Lifeline/Link-up programs throughout the term of their delivery of services in the study area. This is necessary to ensure the implementation of Lifeline/Link-up and to the drive to reduce costs to result in reduced support for these critical programs.

Any net contributor with current study areas similar to those of a net recipient should be allowed to "bid in" their study areas for the FUSF. This is necessary to address the increased pressure that net contributors face in underwriting the cost to deploy wireline, wireless, and broadband services in their own higher-cost study areas as competition in their lower-cost study areas reduces the ability to support their own higher-cost study areas.

The FCC may ultimately impose a POLR obligation. In that case, the POLR obligation must, at a minimum, require a successful bidder to underwrite an appropriate compensation mechanism, such as a bond, used to pay another carrier that would have to step into the bidder's place in the event the bidder ceases to do business in the study area. The PaPUC currently has experienced this when competitive local exchange carriers (CLECs) in net contributor study areas, like Verizon, depart the market.

In those situations, the PaPUC has resorted to asking Verizon or the incumbent carrier to ensure that the customers of a departing carrier do not have an abrupt cessation of service. This costs money.

Many times, the incumbent carriers have no compensation device to recover the costs associated with this last-minute request other than an expectation of future revenue. That case is more easily made in lower-cost/higher-margin study areas than in higher-cost/lower-margin study areas, even if they are located in a net contributor's service territory.

For this reason, the FCC needs to think very carefully about what compensation is appropriate and, most importantly, how the POLR carrier will be compensated if the successful bidder abruptly departs the study area. This issue, of course, is separate and apart from the cost for "standing ready" to step in and provide service if the successful bidder deviates from their commitments. This is also different from the costs in those cases when the bidder underestimates the real costs and seeks a significant increase in support from the FUSF to reflect the actual costs for serving a study area.

Finally, the FCC must expand the contribution base for the FUSF beyond current contribution base. The current contribution base relies on an interstate assessment on interstate revenues derived from providing "Minute of Use" (MOU) long distance service.

The FCC must require any carrier or service provider that delivers any telecommunications or information service that relies on the PSTN to contribute to the FUSF. Otherwise, the FCC will continue to rely on a shrinking interstate revenue base as MOU services migrate to fixed-rate monthly packages ("buffet calling") or IP-based technology services like Voice over Internet Protocol (VoIP).

One vehicle for accomplishing this could be preservation of the common carrier approach. The PaPUC suggests that some modified form of traditional common carriage might well be the most effective way of providing open access to all facilities and support for whatever programs the FCC decides to support from the FUSF.

The PaPUC recognizes that the traditional panoply of pricing and tariffing in place under the current common carriage approach may not be appropriate. The PaPUC makes this recommendation because some modified common carriage approach would ensure that all providers seeking to deliver services to customers over the PSTN, albeit it a Public Switched Transportation Network or a Packet Sending Transmission Network, will be shouldering an appropriate portion of the total FUSF costs.

This recommendation will be particularly critical if the FCC ignores the PaPUC's concerns and goes on to support wireless services and broadband deployment. The FCC cannot solve the current challenges, let alone financing some expansion in FUSF-supported services, by continuing to rely on the declining revenues from diminishing MOU services.

The public and the regulators are well aware of this problem. The remaining issue is the appropriate solution. In that regard, the PaPUC's 15-year experience with reform, competition, and broadband deployment underscore the continuing validity of common carrier solutions, albeit in a form modified to address the ongoing challenge of changes in technology and the advent of competition.

The PaPUC thanks the FCC for providing an opportunity to file these Comments.

Respectfully submitted,
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